

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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May 17, 2002

Mr. Eddie Cheeks, Controller
Osborn Enterprises
1230 Liberty Bank Lane, Suite 230
Louisville, Kentucky 40222-5760

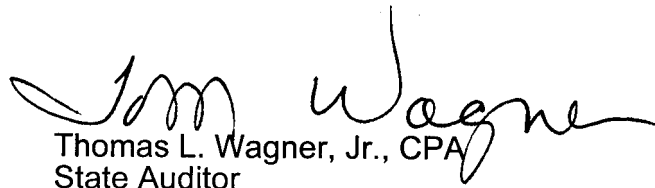
Re: AC# 3-EDI-J9 – Orangeburg Convalescent Center, Inc.
d/b/a Edisto Convalescent Center

Dear Mr. Cheeks:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER**

ORANGEBURG, SOUTH CAROLINA

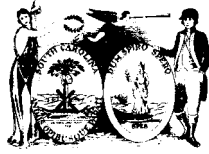
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-EDI-J9**

**AGREED-UPON PROCEDURES
REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 23, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Orangeburg Convalescent Center, Inc. d/b/a Edisto Convalescent Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Orangeburg Convalescent Center, Inc. d/b/a Edisto Convalescent Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

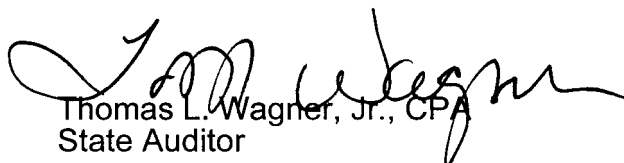
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Orangeburg Convalescent Center, Inc. d/b/a Edisto Convalescent Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Orangeburg Convalescent Center, Inc. d/b/a Edisto Convalescent Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 23, 2001

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-EDI-J9

Interim reimbursement rate (1)	\$82.99
Adjusted reimbursement rate	<u>82.82</u>
Decrease in reimbursement rate	\$ <u><u>.17</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period Beginning October 1, 2000
 AC# 3-EDI-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$36.97	\$50.24	
Dietary		9.23	10.12	
Laundry/Housekeeping/Maint.		<u>8.06</u>	<u>8.88</u>	
Subtotal	\$ <u>4.85</u>	54.26	69.24	\$54.26
Administration & Med. Rec.	\$ <u>-</u>	<u>10.75</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		65.01	<u>\$79.79</u>	64.81
<u>Costs Not Subject to Standards:</u>				
Utilities		1.60		1.60
Special Services		.34		.34
Medical Supplies & Oxygen		2.04		2.04
Taxes and Insurance		2.56		2.56
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$71.55</u>		71.35
Inflation Factor (3.20%)				2.28
Cost of Capital				6.41
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.85
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.10)
Nurse Aide Staffing Add-On 10/1/2000				.22
Nurse Aide Staffing Add-On 10/1/1999				<u>.81</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$82.82</u>

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-EDI-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,473,580	\$ 9,089 (8)	\$ 9,302 (6) 294 (6) 9,062 (9)	\$1,464,011
Dietary	367,515	36,204 (8)	2,136 (6) 36,125 (9)	365,458
Laundry	77,190	3,257 (8)	1,910 (6) 2,219 (9)	76,318
Housekeeping	81,220	30 (7) 841 (8)	2,321 (6) 483 (9)	79,287
Maintenance	162,726	68 (7) 35,987 (8)	1,590 (4) 131 (6) 33,647 (9)	163,413
Administration & Medical Records	388,278	1,915 (6) 24,759 (7) 32,040 (8) 1,445 (6)	17,000 (9) 5,724 (9)	425,713
Utilities	62,582	95 (7) 13,686 (8)	12,972 (9)	63,391
Special Services	13,017	325 (6)	-	13,342
Medical Supplies & Oxygen	80,596	-	-	80,596
Taxes & Insurance	107,816	22,469 (8)	8,438 (5) 880 (7) 19,645 (9)	101,322

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER

Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-EDI-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	-	-	-	-
Cost of Capital	271,226	11,126 (1) 6,132 (8) 544 (11)	12,185 (1) 1,996 (1) 12,560 (3) 3,618 (7) 4,638 (9) 372 (10)	253,659
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	3,085,746	200,012	199,248	3,086,510
Ancillary	39,840	-	-	39,840
Non-Allowable	346,852	8,713 (1) 12,560 (3) 1,590 (4) 8,438 (5) 12,134 (6) 372 (10) 275 (6) 135,791 (9)	20,454 (7) 509 (11) 5,658 (1) 159,705 (8)	340,399
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$3,472,438</u>	<u>\$379,885</u>	<u>\$385,574</u>	<u>\$3,466,749</u>
Total Patient Days	<u>39,595</u>	<u>-</u>	<u>-</u>	<u>39,595</u>
TOTAL BEDS	<u>113</u>			

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-EDI-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets - Land	\$ 1	
	Fixed Assets - Movable Equipment	6,529	
	Accumulated Depreciation -		
	Building & Improvements	36,348	
	Accumulated Depreciation -		
	Movable Equipment	22,877	
	Cost of Capital - Depreciation -		
	Building & Improvement	11,126	
	Nonallowable Depreciation	8,713	
	Other Equity	149,320	
	Fixed Assets - Building & Improvements		\$214,291
	Accumulated Depreciation -		
	Land Improvements		784
	Cost of Capital - Depreciation -		
	Land Improvements		1,996
	Cost of Capital - Depreciation -		
	Movable Equipment		12,185
	Nonallowable - Retirement Center		
	Depreciation		5,658
	To adjust fixed assets and related depreciation		
	HIM-15-1, Sections 104.17, 118, and 2304		
	State Plan, Attachment 4.19D		
2	Accumulated Depreciation - Land Improvements	32,133	
	Accumulated Depreciation -		
	Building & Improvements	191,095	
	Accumulated Depreciation -		
	Movable Equipment	69,137	
	Other Equity	359,504	
	Fixed Assets - Land		8,344
	Fixed Assets - Land Improvements		33,423
	Fixed Assets - Building & Improvements		509,049
	Fixed Assets - Movable Equipment		101,053
	To remove fixed assets and accumulated depreciation applicable to retirement center		
	HIM-15-1, Section 2102.3		
3	Nonallowable	12,560	
	Loan Cost Amortization		12,560
	To adjust loan cost amortization		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-EDI-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable Maintenance - Repairs	1,590	1,590
	To adjust expense HIM-15-1, Section 2300		
5	Nonallowable Taxes, Licenses, & Insurance	8,438	8,438
	To adjust expense State Plan, Attachment 4.19D		
6	Nonallowable	12,134	
	Nonallowable - CRC	275	
	Medical Records	1,445	
	Administration	1,915	
	Physical Therapy	325	
	Restorative		294
	Nursing		9,302
	Dietary		2,136
	Laundry		1,910
	Housekeeping		2,321
	Maintenance		131
	To adjust fringe benefits HIM-15-1, Section 2144		
7	Housekeeping	30	
	Maintenance	68	
	Administration	24,759	
	Utilities	95	
	Taxes & Insurance		880
	Cost of Capital		3,618
	Nonallowable		20,454
	To adjust Home Office cost allocation HIM-15-1, Sections 2102.3, 2150.3, and 2304		

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-EDI-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Cost of Capital	6,132	
	Taxes and Insurance	22,469	
	Administration	32,040	
	Utilities	13,686	
	Maintenance	35,987	
	Laundry	3,257	
	Housekeeping	841	
	Dietary	36,204	
	Restorative	9,089	
	Nonallowable		159,705
	To reverse DH&HS stepdown allocation State Plan, Attachment 4.19D		
9	Nonallowable	135,791	
	Cost of Capital		4,638
	Taxes and Insurance		19,645
	Administration		17,000
	Utilities		12,972
	Maintenance		33,647
	Laundry		2,219
	Housekeeping		483
	Dietary		36,125
	Restorative		9,062
	To remove indirect cost applicable to the retirement center HIM-15-1, Section 2102.3		
10	Nonallowable	372	
	Cost of Capital		372
	To adjust depreciation expense to comply with Cost of Capital Policy for DAV State Plan, Attachment 4.19D		

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER

Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-EDI-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital Nonallowable	544	544
	To adjust Capital Return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$1,246,829</u>	<u>\$1,246,829</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-EDI-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>86</u>	<u>27</u>	
Deemed Asset Value	3,110,190	976,455	
Improvements Since 1981	493,748	69,781	
Accumulated Depreciation at 9/30/99	<u>(1,029,205)</u>	<u>(310,767)</u>	
Deemed Depreciated Value	2,574,733	735,469	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	154,484	44,128	
Return Applicable to Non-Reimbursable Cost Centers	(3,836)	(1,096)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>1,005</u>	<u>319</u>	
Allowable Annual Return	151,653	43,351	
Depreciation Expense	51,069	30,893	
Amortization Expense	3,907	8,142	
Capital Related Income Offsets	(23,378)	(7,340)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(3,530)</u>	<u>(1,108)</u>	<u>Total</u>
Allowable Cost of Capital Expense	179,721	73,938	\$253,659
Total Patient Days (Minimum 96% Occupancy)	<u>30,134</u>	<u>9,461</u>	<u>39,595</u>
Cost of Capital Per Diem	\$ <u>5.97</u>	\$ <u>7.82</u>	\$ <u>6.41</u>

ORANGEBURG CONVALESCENT CENTER, INC.
D/B/A EDISTO CONVALESCENT CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-EDI-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.78	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.77</u>	<u>\$7.82</u>
Reimbursable Cost of Capital Per Diem		\$6.41
Cost of Capital Per Diem		<u>6.41</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>

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